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C O N F I D E N T I A L KUWAIT 004513

SIPDIS

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SUBJECT: FUTURE OF FALTERING KUWAIT AIRWAYS

Classified By: Ambassador Richard LeBaron for reasons 1.4 (B) and (D)

1. (C) Ambassador met with Kuwaiti Minister of Communications, Planning and State for Development of Administrative Affairs Shaykh Ahmed Abdullah al-Ahmed al-Sabah on December 27, 2004 and discussed the financial situation of Kuwait Airways and the recent announcement of a new airline opening in Kuwait. (NOTE: His Ministry also supervises Kuwait Airways and Civil Aviation. END NOTE.) Kuwait Airways is losing 20 million USD every year to interest on outstanding debts, according to the Minister, and straightening it out is going to be "a bumpy road." The Minister outlined his priorities for the failing state-owned airline: his first priority is to get its accounts straightened out and approved by parliament. After that he said that the plans are to restructure the airline into a more market-orientated organization although it would still be state-owned. He is using an international consulting firm to help develop the restructuring plan. Finally, he would like to eventually privatize Kuwait Airways.

2. (C) The Minister also mentioned that Kuwait Airways is looking to update its fleet of airplanes. The Ambassador informed the Minister that the CEO of Boeing is planning to visit Kuwait and the Minister expressed interest in meeting with him then. Currently only two of the 15 planes in use by Kuwait Airways are Boeing planes; the remaining are Airbus.

3. (C) Jazeera Airways, the first privately owned airline in Kuwait, was also discussed during the meeting. The Minister acknowledged that the new airline, expected to start regional flights in February 2005, would put pressure on Kuwait Airways to be more competitive. (NOTE: The Boodai family, a prominent Sunni family heavily involved in private business in Kuwait, is the major shareholder of the unfortunately-named Jazeera Airways. The company's president is Marwan Boodai. END NOTE.)

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